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BRANCH BANKING FOR THE WEST AND SOUTH.

IN a country of such rapid development as the United States undesirable conditions sometimes disappear before the remedies of economists can be applied. The patient recovers before the prescription is filled. Half a dozen years ago the West and South were complaining of inadequate credit and exchange facilities. Money was scarce. Banks were declared to be, and actually were, too few, too small, and too weak. These conditions have now greatly improved. In the West, at least, prosperity has already lessened complaint. Harvests, except in one year, have been good. New banks have been organized; and Western banks have not only handled the crops without borrowing in the East,—an unprecedented feat,—but they are now lending to the East on the New York Stock Exchange.

Writers had agreed that the lack of credit facilities could be supplied by branch banks, each issuing currency on the assets and credit of the parent bank and all the branches. Such a system seemed ideally adapted to a growing and developing region. In fact, the currency principle involved, the issue of notes without the pledge of particular assets, is generally accepted. The American Bankers' Association declared last year for greater elasticity than our currency now has; and elasticity was understood to involve assets currency, as above outlined.¹

Branch banking, however, has always been opposed by country bankers, especially, perhaps, by Western bankers. They have denied that a system of branch banking could furnish additional facilities; and they have almost unanimously insisted that, even if it could, such a system would still be undesirable on personal, political, economic, and philosophical grounds. Indeed, since the great prosperity

¹ *Proceedings of the American Bankers' Association, 1902.*

of the last few years, many bankers have even denied that additional facilities are needed, claiming that, if there ever was excuse for branch banking, it no longer exists.

Questions of fact and questions of theory are thus presented. The evidence and arguments of the bankers will be considered in this paper, to determine whether the effort to introduce branch banking should continue.

Something of what the bankers say may be passed over. It is, for instance, unnecessary to show again that branch banking would be a safe system. The contrary opinion is largely the outgrowth of the failures of *ante-bellum* banks. As to that, the truth, of course, is that wildcat banks failed, not because of branches and notes, but on account of adverse economic conditions or bad management, or both. The branch system of banking, indeed, has elements of safety that independent banks lack. Greater safety inspires greater confidence; and the branch system, enabled by the confidence reposed in it to collect idle funds thoroughly, can distribute them wisely and economically. Greater ability can usually be obtained by a large institution than by a small one, and one banking office will unhesitatingly send help to another office of the same bank, when a city bank might refuse to help an independent country correspondent.

The peculiar advantages of branch banking, however, have been well summarized in a recent issue of this *Journal*. Little need be added now to Dr. Sprague's adequate résumé in the February number. "Superiority in respect to safety, economy, the equalization of rates for loans," may be regarded as proved, and attention may be directed to points where the knowledge and experience of bankers give their statements weight. The relative merits of independent banking would cease to be a pressing question, of course, if Western bankers were found correct in declaring Western banking facilities now sufficient as they are. Not that this would be conclusive, even if it were true. If branch banking is correct in principle and safe and beneficial in application, is it wise to defer its adoption until financial reverses shall

TABLE I.
THE ORGANIZATION OF BANKS IN THE WEST.

	Number of national banks organized March 14, 1900, to Oct. 31, 1902.	Their capital.	State and private banks converted to, or reorganized as, national banks.				Gain in number of banks, about	Gain in capital about	
			Period.	Number.	Capital.	Number.			Capital.
Missouri . . .	16	\$1,725,000	March 14, 1900, to Oct. 31, 1902	10	\$1,242,000	6	\$483,000		
Kansas . . .	32	1,265,000	March 14, 1900, to Sept. 1, 1902	25	660,000	7	605,000		
South Dakota .	26	700,000	June 30, 1900, to June 30, 1902	8	89,000 ¹	18	611,000		
North Dakota .	36	930,000	Not ascertained						
Oklahoma . . .	59	1,740,000	March 14, 1900, to Oct. 31, 1902	32	193,766	27	1,546,234		

	State banks organized.			Private banks organized.		State and private.	
	Period.	Number.	Capital.	Number.	Capital.	Number.	Capital.
Missouri . . .	March 14, 1900, to Oct. 31, 1902	100	\$1,820,000	15	\$99,000	115	\$1,919,000 ²
Kansas . . .	Sept. 1, 1900, to Sept. 1, 1902	117	1,175,600	—	—	117	1,175,600
South Dakota .	June 30, 1900, to June 30, 1902	—	—	—	—	82 ⁴	389,243 ²
North Dakota .	Feb. 13, 1900, to April 30, 1902	35 ³	289,900 ²			35 ³	289,900 ²
Oklahoma . . .	Sept. 1, 1900, to Nov. 1, 1902	153	1,200,000 ³			153	1,200,000 ³

¹ Includes surplus of two banks. One bank omitted.

² Net increase in two years.

³ Partly estimated.

⁴ Report of public examiner does not in every case show whether State or private.

⁵ Does not include 10 trust companies with \$5,954,200 capital.

again have demonstrated the weakness of the present system?

But is the declaration true?

It is supported with statistics of recent bank organizations. It appears, for instance, that in Missouri, Kansas, the Dakotas, and Oklahoma there were organized in a period of two years, or in some cases a few months more, one hundred and sixty-nine national banks with \$6,360,000 capital and about five hundred State and private banks with \$4,900,000 capital.¹ Many of the national banks, it is true, were reorganizations or conversions of State and private banks, and there were a few failures and liquidations to offset against the increase in State banks. It is clear, however, that banking facilities are being rapidly extended. This is evidence to support the declaration that Western banking facilities are adequate; but it is not quite proof, though so esteemed. "All sections of this country have abundant banking facilities," said a Kansas speaker at the Interstate Bankers' Convention last year; "and, if there is any locality that has been overlooked, will some gentleman hold up his hand, and we will agree to send him some one who wants a banking location within the next thirty days."²

Testimony to the sufficiency of Western banking facilities is, however, not unanimous. There has been official dissent, based upon the allegation that many banks have been organized with inadequate capital, and that others have been organized where not even the legal minimum of capital can be profitably employed in banking.

In 1900 the public examiner of South Dakota recommended the repeal of a provision of the banking act of that State permitting "the organization and establishment of banks in towns of less than five hundred inhabitants with a less capital than five thousand dollars, upon depositing with the Secretary of State a bond in the penal sum of ten thousand dollars conditioned for the security of depositors and creditors." This provision, he said,³ "is full of danger

¹See Table I., on preceding page.

²*Proceedings of the Kansas Bankers' Association*, 1902, p. 74.

³*Fourth Biennial Report of the Public Examiner*, p. 111.

to the small communities of the State, and, in the judgment of the examiner, should be repealed without delay." It was in fact omitted from the new South Dakota banking law, which went into effect July 1, 1903.

In his report of last September the bank commissioner of Oklahoma recommends that the minimum of bank capital, now \$5,000, be raised to \$10,000. This recommendation is made, he says, "with the firmest conviction that the public good will be promoted and that Oklahoma's banks will be better banks, and consequently that the surplus balances of the business man and the savings of the farmer and the artisan will be safely kept." The legislature has adopted the recommendation.

The bank commissioner of Kansas in his last report¹ refers to "the organization of many banks with a capital by no means in keeping with the business demands of the community in which the bank is located. Ten thousand dollars," he says, "is the minimum amount for which any bank should be chartered in this State." Since then the Kansas legislature has not only provided that no bank shall be chartered with less capital than \$10,000, but it has required smaller existing banks to increase capital to \$10,000 within two years.

The national bank examiner for Kansas, Mr. James T. Bradley, said in an address to the Kansas Bankers' Association last year,—

There are a great many new banks being started in the State, and I am very well satisfied that those banks, in a large number of instances, are not required by the necessities of the communities in which they are started and by the prevailing conditions in the State.

It seems that those with best opportunities to observe are not satisfied with the facilities being furnished by independent banks. It is feared that some banks will have to withdraw from business because not required,—because, in other words, they cannot be supported; yet there must have been some demand for banking facilities where these banks

¹Page viii.

are, or the banks would never have been organized. In other cases, banks are found too small to be safe or to perform banking functions adequately; yet the banks have been organized to meet real needs, and capital is generally as large as can be obtained or as large as can be profitably employed. Fifty banks, for instance, of \$5,000 capital each, were organized in Kansas in the two years covered by the commissioner's last report. It is not to be supposed that they were unnecessary or that they could each as well as not have had \$10,000 capital. In a few cases, perhaps, more capital could have been obtained, had the profits expected warranted a larger investment. In almost every case, however, \$5,000 was as much capital as could be scraped together. Small capital was necessity, not choice. This is shown by the fact that two \$5,000 banks are not often found in one town. If more than \$5,000 capital can be got or employed, it is all put into one bank. One Kansas bank, for instance, in the period mentioned was organized with \$5,500 capital. A number had \$6,000 and so on, there being seventeen in all with capitals over \$5,000, yet less than \$10,000. The effect of the recent changes in the South Dakota, Oklahoma, and Kansas statutes will be to diminish the organization of new banks; and, if the Kansas provision requiring existing banks to increase capital to \$10,000 is sustained by the courts, a number of points that now have banks will lose them. Whether banking facilities are diffused widely enough or not, it seems that officials who supervise banks believe that the facilities furnished by the smallest banks are inadequate.

In fact, not all the small banks are able to care for their customers unaided even now. The latest bank reports of the Missouri River States and Oklahoma show increasing amounts of notes rediscounted and money borrowed.¹ Bank commissioners and examiners do not favor these forms of liability, and their attitude towards \$5,000 banks is perhaps justified by this showing as well as by the great number of failures of small banks in 1893 and the succeeding years.

¹Table II., on following page.

Small banks do serve the public, however, or not so many of them would be demanded and organized.

Many as there are, however, even of the smallest banks, there are still communities that would like banks and can-

TABLE II.

REDISCOUNTS AND BILLS PAYABLE AT VARIOUS DATES
(000 OMITTED).

MISSOURI.

State and private.			National.	Total.	
1895	August,	1,291	July,	573	1,864
1896	August,	715	July,	1,051	1,766
1897	October,	688	October,	89	777
1898	December,	937	December,	187	1,124
1899	September,	449	September,	14	463
1900	December,	330	December,	26	356
1901	November,	104	December,	10	114
1902	October,	766	September,	6,022 ¹	6,788

KANSAS.

1895	January,	1,122	March,	770	1,892
1895	April,	734	May,	641	1,375
1895	July,	687	July,	344	1,031
1895	December,	1,209	December,	839	2,048
1896	February,	893	February,	528	1,421
1896	June,	674	July,	466	1,140
1896	September,	471	October,	610	1,081
1897	October,	262	October,	415	677
1898	July,	275	July,	592	867
1899	September,	304	September,	76	380
1900	September,	197	September,	48	245
1900	December,	170	December,	84	254
1901	February,	175	February,	83	258
1901	May,	65	April,	90	155
1901	September,	42	September,	24	66
1901	December,	71	December,	15	86
1902	March,	228	February,	371	599
1902	June,	327	July,	510	837
1902	September,	305	September,	164	469
1902	November,	373	November,	226	599
1903	March,	426	February,	192	618

¹ \$5,887,000 reported from St. Louis.

SOUTH DAKOTA.

State and private.			National.		Total.
1897	June,	185	May,	48	233
1898	June,	281	July,	89	370
1899	June,	402	June,	30	432
1900	June,	646	June,	20	666
1901	June,	305	July,	35	340
1902	June,	251	July,	38	289
1902	December,	313			

NORTH DAKOTA.¹

1895	September,	221	September,	299	520
1895	December,	44	December,	57	101
1896	March,	66	February,	179	245
1896	June,	183	July,	478	661
1897	July,	196	July,	361	557
1897	October,	85	October,	120	205
1897	December,	5	December,	—	5
1898	February,	18	February,	—	18
1898	May,	67	May,	21	88
1898	July,	275	July,	167	442
1898	September,	292	September,	228	520
1898	December,	103	December,	23	126
1899	February,	69	February,	—	69
1899	April,	67	April,	25	92
1899	July,	170	June,	135	305
1899	September,	207	September,	163	370
1899	December,	55	December,	47	102
1900	February,	121	February,	81	202
1900	April,	186	April,	87	273
1901	July,	553	July,	404	957
1901	September,	462	September,	293	755
1901	December,	90	December,	19	109
1902	February,	88	February,	26	114

OKLAHOMA.

1901	March,	6	February,	17	23
1901	September,	42	September,	64	106
1902	March,	46	February,	13	59
1902	June,	114	July,	102	216
1902	September,	159	September,	149	299

¹ The regular expansion of Bills Payable and Rediscunts in North Dakota during the summer and fall reflects borrowing by the banks to obtain funds to move the crops. The Canadian banks also make use of their credit

not get them. Many a farmer would be glad to patronize a bank in the little village where he receives his mail. The village, however, may not be able to invest \$5,000 in a bank. Perhaps a bank there could not earn dividends on \$5,000 if the sum could be found. He is therefore obliged to drive to a distant banking town at the sacrifice of time needed in farm work. This farmer and his neighbors would in other countries have access to a bank office nearer home. This point was well brought out at the meeting of the American Bankers' Association last year by Mr. Johnston, of Milwaukee. In his address on the Scottish Banking System he said:—

To one who has lived in Scotland the lack of banking facilities is very marked. This may seem strange, but I know of a great many villages in Wisconsin wholly destitute of banking privileges, while villages of equal size in Scotland would have one and perhaps two branch banks. In Milwaukee County alone I could name three or four small towns where there would be branch banks if they were in Scotland. The population of Scotland and Ohio are about the same: few people will say that Scotland is richer than Ohio, yet the deposits of the banks in Scotland are much larger than those of Ohio. In Scotland the banks touch the people, not only in the large cities, but at every cross-roads. Every spare dollar in the country finds its way into the banks. I do not believe there is a pound note hid away in an old stocking in all Scotland. As I have said, the people believe in the banks,—yea, they are proud of their banks, and stand by them. The multitude of branch banks tends to promote saving; for they pay interest on the smallest deposits, and they are nearly at every man's door.¹

The claim that banking facilities in the West are sufficient cannot be entertained. The evidence offered to support the claim tends to establish the contrary. The small banks being organized in such number are believed by experts not to meet the want they show, and a further want that no one attempts to meet is proved by observation of rural conditions.

during the same season, but they issue their notes for circulation instead of placing them with particular creditors. The tendency of banks to borrow during crop-moving time is not confined to North Dakota, but is not elsewhere apparent in the above tables because of infrequency of bank returns, and because, where the total borrowings are comparatively small, general tendencies are obscured by local and accidental variations.

¹ *Proceedings of the American Bankers' Association, 1902, p. 77.*

The business of a few farmers, combined with the business of the general store and the blacksmith shop at the nearest village, might support an office of an existing bank, although not enough to induce the investment of new capital in a bank. An office would require practically no investment if the parent bank was already strong, and strength would of course be insisted on. An office could be established wherever there was a prospect of enough business to pay a small salary to a manager. Independent banks of the smallest class are conducted by one man alone, and one man could manage a branch even more easily. The manager would be in perfect touch with other bankers in all parts of his district. He would have the advice of a head manager who would probably be a graduate of just such a branch himself. The head office would provide books and supplies. Other branches would take surplus cash on occasion, and would furnish a supply when needed. Systems of accounting would on the average be simpler. It is safe to say that one man could handle the business of a branch even more easily than the business of a bank.

Branches diffuse banking facilities more widely than independent banks, because it costs much less to establish and run branches. Less business is needed to support branches, and they are therefore established in communities where independent banks could not live. Of course, when our banks are allowed to issue currency on their general assets, branches can be placed in smaller communities and more sparsely populated regions than could support branches, even if branches might be established now. It will then not even be necessary for a branch to obtain deposits in order to be profitable. Branches can lend the notes of their own banks, and so make profits where there would be no basis in deposits for bank operations now.

It was supposed by many that the Act of March 14, 1900, which reduced the minimum capital for a national bank from \$50,000 to \$25,000, would result in the establishment of enough new national banks in the West and South to make banking facilities adequate. To those who knew the

banking situation in those sections, however, it was obvious that no such result could follow. There were already far more small banks there than the amended national system could furnish. A great many national banks were organized, indeed, by October 31, 1900, when the Comptroller of the Currency reported; but most of them were only the successors of State or private banks. The net gain in number of national banks between March 14 and October 31, 1900, in Missouri, Kansas, Nebraska, the Dakotas, and Oklahoma, was only twelve,¹ and the increase in national bank capital was less than a million dollars. There were a few banks, perhaps, that would not have been established so soon but for the new law. There have been such cases since, but the figures assembled in Table I. show no gains in banks and banking capital that are not accounted for by the present rapid economic development of these States and of the Territory of Oklahoma. Branches, if they had been legal, would have been established in still greater numbers.

In fact, something like branch banking is growing up now. A glance through a bank directory of any Western State shows the names of several men frequently repeated as presidents or vice-presidents of a number of banks. In each case the man, or interests represented by him, probably control the banks of which he is an officer. The banks so connected are called a chain. A chain of banks has many of the advantages of branch banking. Great ability of management is obtained and many economies are introduced. It might seem, too, that interchange of funds could as readily be accomplished; and this, as Dr. Sprague points out, is one of the advantages of branch banking. Whether it would be safe, however, with separate banks in a chain, is doubtful. The largest group of connected banks in Kansas, eighteen in number, with \$3,500,000 of deposits, controlled by interests connected with the largest bank in Kansas City, Missouri, does not attempt to interchange funds. The manager of this group says:—

¹ "The Effect of the New Currency Law on Banking in the West," in this *Journal*, February, 1901.

We do not allow our banks to swap paper with each other.

For instance, if the bank at A is short on money and wants to sell paper, they must find some outside customers or use their correspondents. If the banks at B or C are long on cash, they do not take the paper from A or other points, but rather go on to the market and buy good, high-grade commercial paper. In this way, while one of our banks will be selling paper to their correspondents or to banks who are buyers of paper, on the other hand, another bank will be buying paper on the New York market.

The manager says that he does not allow swapping paper between his banks, because he might later be forced "to collect from himself." He fears his system of banks would not be extensive enough to carry all its loans in case of stringency. He thinks swapping paper might do if his chain of banks stretched all over the country, so that its conditions would always be the average conditions of the country; but in a single State he fears that transfer of loans from one bank of a chain to another bank might not always be safe. Each bank is operated independently, therefore; and no attempt is made to safeguard it by distributing the risks of its operations upon the group as a whole.

Perhaps inferior to the branch system in distributing funds between bank offices, the common-ownership or group-of-banks system is certainly less efficient in reaching small communities and thinly populated districts. Even with equal ability of management, and with careful economy, the latter system cannot go so far as the branch system, because the group must provide additional capital for each new office, and the bank with branches need not.

There exists in the West, then, a deficiency of bank facilities which recent legislation has done little to supply. Additional, and in some respects better, facilities could be provided by branch banks, and a system with some of the advantages of branch banks is growing up; but this, the group system, is inferior to the branch system in the number of bank offices it can provide.

It has been suggested that the advantage of the branch system in diffusing facilities might be neutralized by the transfer of most of the deposits of the branches to the head

offices. The credit needs of rural districts would then be more poorly supplied than now. It would be a short-sighted policy, however, to use branches merely to attract deposits for the use of the head offices; and it would not be a successful policy. The permanence of any bank or branch depends, among other things, on its serving its community. If this principle were disregarded at any branch, some competing bank, as Mr. Horace White points out, would drive it out of business with a branch operated in conformity with the principle of usefulness.¹

At the beginning of this paper it was stated that, even if convinced that the system could furnish additional facilities, country bankers would still oppose branch banking. They fear that branch banking would drive them all out of business or would make them mere clerks without authority or discretion, working under the direction and supervision of head managers in the cities.

If either of these results would follow the introduction of branch banking, it ought not to be legalized, whatever its advantages in other ways. The American country banker is a personality that cannot be spared. He knows the people who visit his bank better than the city banker knows those who come to his own, for the country banker is a teller as well as a manager. Then, too, the country banker is constantly driving over his territory, counting the cattle mortgaged to him, observing their condition and estimating their weight and selling price. He watches the seeding and the harvest, and keeps track of the country's development by the new barbed-wire fences that block his short cuts, one by one. He knows his clients in their own homes, knows who is wasteful and who is getting ahead. He learns the character of the men who are at the beginning of production, and often he makes character and ability the basis for bank loans.²

¹ *Proceedings of the Kansas Bankers' Association*, 1902, p. 36.

² The Western country banker does not even consult the bank directors, unless the institution is, for the West, a comparatively large bank. "He is pretty nearly the whole thing," the bank commissioner of Kansas says. This is contrary to the impression conveyed by Dr. Sprague in the February

If in place of such a banker there would come a clerk, an accountant, or if this banker would be turned into a mere clerk himself, referring every application for a loan to the head office before he could grant it, the country could not afford branch banking. The result would be the deterioration of a remarkable class, and, as Dr. Sprague fears, the slower development of the United States.

There is no example of a branch system succeeding a system of independent banks. Branches have elsewhere been matters of course. It is conceivable that a large bank might establish branches here and there in a deliberate attempt to force competing independent banks out of business. Such attempts would not often succeed. The advantage of position and of public opinion would be with the independent banker in such a contest; and his experience and ability, just discussed, would help to assure his position. Independent banks compete with branches in Canada, frequently on even terms.

It is not likely that the change to the branch system would come all at once or even very rapidly. It seems more probable that, instead of attacking independent banks, those banks that desired to operate branches would buy up an independent bank now and then, as terms could be agreed upon. The managing officer of the purchased bank would probably be the best manager the branch could get. His experience and ability could not profitably be discarded. Without him it would be difficult for the branch to attract deposits, particularly if he entered the field again as a competitor, and without him the branch could not soon lend money safely in profitable volume.

If retained as branch manager, such a banker would not be merely a clerk. The head manager would have to rely, and would rely gladly, on the branch manager's knowledge and judgment of local customers and conditions. It seems that in Canada branch managers have responsibility as they are capable of assuming it. After obtaining a quantity of

number of this *Journal*, but Dr. Sprague was writing of banks perhaps one size larger than the typical Western country bank.

evidence, Professor Cone accepted this as the general Canadian opinion: "If a branch manager has any ability, he is quite independent, as the head office will then give him the ropes."¹ This is true also in this country of managers of institutions linked in chains of banks. The group of Kansas banks referred to already is typical. The manager says:—

We do not have a rigid set of rules for the cashiers to follow. . . . We do not loan money on rules, nor run the banks on rules, but rather we aim to conduct our banks by having a competent man in charge. Not only that, but we have local directors, and use their judgment in passing upon paper.

If branches were to be so conducted in this country, there would be even closer local scrutiny of loans than now.

There are probably Canadian banks that do have elaborate rules for their branch managers, but most of the managers who are held closely to rules are doubtless the beginners in management who are stationed at remote points that could not support independent banks at all.

The disappearance of the individuality of the country banker would be a calamity, but individuality is not likely to disappear under branch banking. It is a commonplace that knowledge and executive ability and successful initiative were never in any business so prized as now. These are qualities of country bankers. Their knowledge can only increase under a system which avails itself of exact knowledge reported from wider fields. Their initiative will grow, and not decline; and their influence will be felt not only in their own bank offices, but all over the great systems of which these offices are parts. Branch banking will make the country banker a more important individual than now.

Accepting the need of more and stronger banking offices, which can be supplied by branch banks, and dismissing the adverse suggestions hereinbefore considered, it remains to consider what form branch banking ought to take.

Much is to be said for banks with branches all over the entire country. This wide distribution of the risks of the

¹ *Proceedings of the Kansas Bankers' Association, 1901, p. 71.*

business would make for safety. Facilities could be diffused adequately, for the economy of large institutions would make it profitable to establish branches everywhere.

The objection to allowing strong banks to establish branches without restriction as to location or number is that the fears of country bankers, presented above, might possibly, not probably, be realized for a time. In the long run, country branches would have to be conducted by such men as the present country bankers. The introduction of branch banking into a system of independent banks being, however, without precedents, it is not unreasonable to fear that the great city banks would at first use unfair means to establish and maintain their branches. It is conceivable that they would pay such high interest for deposits, and make such low rates for loans, that competing independent bankers would lose all their customers and have to go out of business. If the great banks drove the small banks out, it is conceivable that all the deposits of the country branches might be carried into the large cities and used there in reckless high-finance. These are the methods and results that country bankers expect. This is why they call branch banking "unpatriotic, un-American, unbusiness-like."¹

It has been pointed out above that such results could not be permanent, and that such methods could not prevail. It is unlikely that such methods would even be attempted, but the harm of such an attempt would be so great that even its possibility ought to be forestalled. Dr. Sprague points out also the possibility that sectional jealousy might arise again if the control of several great branch systems should go to the East, especially if one or two of these systems failed. All these objections together are conclusive, especially as until their removal bankers will not relax their opposition, and it is evident that no legislation for branch banking can be enacted over the protest of the bankers themselves.

The general objections to branch banking have already been disposed of. These last special objections, some of

¹Resolutions of the Kansas Bankers' Association, 1902, *Proceedings*, p. 113.

them having to do with mere temporary possibilities, may be avoided by providing that no bank shall have offices in more than one State. This will limit the usefulness of branch banking somewhat; but the considerations of safety, economy, ready transfer of funds, equalized interest rates, and additional banking facilities will still apply. The counties that raise wheat can each fall supply money to the counties that raise cattle. Money from corn-fed beef will plough and seed the grain fields the next spring; and pastured cattle, marketed from July to October, will provide money to move the crops. Branch banking would be introduced more slowly with the proposed restriction, and perhaps more safely. Certainly, the system cannot now be introduced without it. Experience would determine whether the restriction could safely be removed.

On the adoption of assets currency, a reform now confidently expected within a reasonable time, existing banks will contribute somewhat more than now to the development of the country. There will still be many people, however, who cannot conveniently reach banks. Some of them will continue to go without banking facilities. Others will continue to use banks infrequently. If banks are permitted, however, not only to issue notes on their own assets, but to establish branches, they will place branches close to all who need banking facilities. With the machinery of credit thus at work in the remotest communities, the development of the country will go forward with even greater speed.

THORNTON COOKE.

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